

BEFORE THE COMMISSIONER OF INSURANCE
STATE OF COLORADO

Order No. O-11-171

AMENDED FINAL AGENCY ORDER

IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF PIONEER
GENERAL INSURANCE COMPANY,

Respondent.

THIS MATTER comes before John J. Postolowski, Interim Commissioner of Insurance for the State of Colorado ("Commissioner"), as a result of a market conduct examination conducted by the Colorado Division of Insurance ("Division") of Pioneer General Insurance Company ("Pioneer General"), pursuant to applicable provisions of the Colorado Insurance Code, including §§ 10-1-204, 10-3-1106, 12-7-108(6), and 12-7-113, C.R.S.

The Commissioner has considered and reviewed the market conduct examination report dated June 15, 2010, relevant examiners' work papers, all written submissions and rebuttals, the recommendations of staff, and the provisions of the Stipulation for Entry of Final Agency Order ("the Stipulation"). In accordance with the Stipulation, this Amended Final Agency Order ("Amended FAO") supersedes Final Agency Order O-11-053 ("FAO53").

The Commissioner finds and orders as follows:

FINDINGS OF FACT

1. At all relevant times, Pioneer General was licensed by the Division as a bail bond and fidelity surety company.
2. In accordance with the Colorado Insurance Code, the Division completed a market conduct examination ("MCE") of Pioneer General on June 15, 2010. The period of examination was from January 1, 2008 through December 31, 2008.
3. In conducting the MCE, the examiners endeavored to observe those guidelines and procedures set forth in the most recent available edition of the Market Regulation Handbook adopted by the National Association of Insurance Commissioners. Marcy Morrison, who was the Commissioner of Insurance

at the time of entry of FAO53, also employed other guidelines and procedures that she deemed appropriate, pursuant to §10-1-204, C.R.S.

4. On August 16, 2010, the Division sent a Draft Report ("Draft Report") of the findings and recommendations of the MCE to Pioneer General. The Draft Report set forth the Division's findings of fact and issues identified by the Division concerning the MCE and made recommendations regarding the same.
5. On September 14, 2010, Pioneer General made a submission ("September Submission") to the Division in response to the Draft Report. The September Submission set forth Pioneer General's position regarding the findings and recommendations of the Draft Report and identified various revisions to its procedures and forms and set forth future remedial action.
6. On October 15, 2010, Commissioner Marcy Morrison, after consideration of all the information, and the submission provided, issued Final Agency Order O-11-053 ("FAO53") adopting the Report ("Final Report"). The Final Report set forth the Division's findings of fact concerning Pioneer General's compliance and made recommendations regarding the same.
7. FAO53 and the Final Report were transmitted to Pioneer General on October 15, 2010 by the Division. The Division also transmitted a letter to Pioneer General requesting additional information and that certain action be taken concerning the recommendations set forth in the Final Report that were either not addressed or were in need of clarification based upon Pioneer General's September Submission.
8. The findings of the Final Report are solely comprised of facts appearing upon the books, records, or other documents of Pioneer General or made in statements of its agents or other persons examined concerning Pioneer General's affairs. The Final Report contains conclusions and recommendations that the examiners found reasonably warranted based upon the facts.
9. In FAO53, Commissioner Morrison assessed a civil penalty of \$533,000.00, along with a surcharge of \$7,500 for a total amount of \$540,500 to be paid by Pioneer General as a result of the findings of the Final Report. Commissioner Morrison also ordered that certain remedial or corrective action be taken by Pioneer General to address those findings.
10. On November 9, 2010, representatives of Pioneer General met with the Commissioner and representatives of the Division to discuss FAO53, the Final Report and recommendations regarding remedial action. Subsequently Pioneer General made a supplemental submission (the "November

Submission”) to the Division setting forth clarification of its remediation plans regarding the Final Report and the October 15, 2010 letter from the Division.

11. On November 9, 2010, Pioneer General, through legal counsel, requested a hearing as to FAO53 and the Final Report and accompanied that letter with a written Request for Hearing setting forth Pioneer General’s basis for a hearing challenging FAO53 and the Final Report.
12. On November 10, 2010, the Commissioner and Division, through their legal counsel, denied Pioneer General’s Request for Hearing and advised of the appeal procedures that were deemed applicable to the FAO and Final Report.
13. On November 12, 2010, Pioneer General filed a Complaint in the Denver District Court (Case No. 2010CV8887), seeking a declaratory judgment, injunctive relief and judicial review as to FAO53, the findings of the Final Report and other substantive matters related to the MCE, naming the Commissioner, the Division and the Department of Regulatory Agencies as defendants. The Defendants then filed an Answer to the Complaint on December 10, 2010. Since that time, the parties have filed motions in the District Court case and been granted time to engage in settlement negotiations and to consummate this settlement.
14. On November 15, 2010, Pioneer General also filed a Notice of Appeal and Verified Emergency Motion for Stay of Fine in the Colorado Court of Appeals (Case No. 2010CA2354). On December 2, 2010, the Court of Appeals stayed payment of the fine by Pioneer General conditioned upon the filing of a supersedeas bond in the District Court securing payment of the fine and further stayed all proceedings in the Court of Appeals pending resolution of the Denver District Court matter, whether through settlement or litigation.

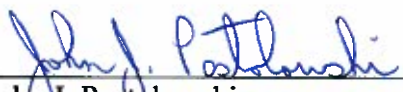
CONCLUSIONS OF LAW AND ORDER

15. This Amended FAO, concerning the Final Report and MCE and all matters related thereto, supersedes FAO53.
16. The Division’s findings of fact, issues identified by the Division, and recommendations regarding the MCE are set out in the Final Report.
17. The September and November Submissions setting forth Pioneer General’s position regarding the Division’s findings and recommendations of the Draft and Final Report, have also been considered. It is acknowledged, as set out in the September and November Submissions, that Pioneer General neither agrees nor accepts all of the findings and recommendations set forth in these reports as a result of the MCE.

18. The Division and Pioneer General, in order to resolve all matters pertaining to FAO53, the Final Report, the MCE and the pending litigation in Denver District Court and the Court of Appeals, have entered into Stipulation for Final Agency Order ("Stipulation"), which Stipulation is now approved and incorporated herein by reference.
19. Pioneer General will undertake and complete, by December 31, 2011, all the procedure changes, modification of forms, training and supervision of agents, and other remedial measures set out in Pioneer General's September and November Submissions regarding the findings and recommendations identified in the Final Report. Within 30 days of December 31, 2011, Pioneer General is ordered to submit written confirmation to the Division, through a statement signed by an officer of the company, attesting that to the best of that officer's information, knowledge and belief, that Pioneer General has completed all the procedure changes, modifications of forms, training and supervision of agents, and other remedial measures set out in its September and November Submissions as of December 31, 2011. The Commissioner and the Division agree that the proposed remedial measures set forth in Pioneer General's September and November Submissions are satisfactory and will be deemed to comply, if implemented, with the findings and recommendations of the Final Report.
20. Pioneer General is further ordered (and it has agreed) to pay a total civil penalty of Two Hundred Twenty-Five Thousand Dollars (\$225,000.00) to the Division. This civil penalty shall be paid to the Division within fourteen (14) days of the date this Amended FAO approving the Stipulation is signed. Upon payment of this amount, the Commissioner and the Division agree to sign all necessary papers to release and return to Pioneer General, the supersedeas bond filed in the Denver District Court.
21. Pursuant to §10-1-205(4)(a), C.R.S., within sixty (60) days of the date of the Amended FAO, Pioneer General shall file affidavits executed by each of its directors stating under oath that they have received a copy of the Final Report and the Amended FAO.
22. Subject to the terms of the Stipulation, this Amended FAO shall not prevent the Division from commencing future agency action relating to: (1) conduct of Pioneer General not specifically addressed in the Final Report; (2) conduct not resolved according to the terms and conditions of the Stipulation and this Amended FAO; or (3) conduct occurring before or after the examination period of January 1, 2008 through December 31, 2008. Notwithstanding the foregoing, Pioneer General and the Division agree that the Division may conduct other market conduct examinations of Pioneer General's bail bond business, as permitted by law, but the Division further agrees that such examination shall be conducted for an audit period that will commence no sooner than July 2012.

23. Copies of the Final Report and this Amended FAO will be made available to the public no earlier than thirty (30) days after the date of this Amended FAO, subject to the requirements of §10-1-205, C.R.S.
24. Failure by Pioneer General to comply with the terms of this Amended FAO may result in additional actions, penalties and sanctions, as provided for by law. Nothing in this Amended FAO shall affect Pioneer General's rights to injunctive or other relief permitted by law in the event that the Division violates any of the terms of the Stipulation or this Amended FAO.

WHEREFORE: It is hereby ordered that the findings of fact and conclusions of law contained in this Amended FAO are hereby adopted and filed and made an official record of this office this 7th day of June, 2011.



John J. Postolowski
Interim Commissioner of Insurance

CERTIFICATE OF MAILING

I hereby certify that on the 7th day of June, 2011, I caused to be deposited the
**AMENDED FINAL AGENCY ORDER NO. O-11-171 IN THE MATTER OF THE
MARKET CONDUCT EXAMINATION OF PIONEER GENERAL INSURANCE
COMPANY**, in the United States Mail via certified mailing with postage affixed and addressed
to:

Bruce Lowdermilk, President
Pioneer General Insurance Company
333 West Hampden Avenue, Suite 815
Englewood, CO 80110



Eleanor Patterson
Market Regulation Administrator